CHAPTER 6

FINDING, CONCLUSION
AND SUGGESTION
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6.1) INTRODUCTION

The automotive industry remains one of the highest revenue-earning industries in India and contributed over 5% to India’s GDP in 2009, providing direct and indirect employment to more than 13.1 million people. The market outlook for the industry remains promising, especially in the small car segment. Globalization is an economic phenomenon, involving the increasing interaction, or integration, of national economic systems through the growth in international trade, investment and capital flows. Automobile industry is one of the main contributing sectors for any economy. In the year 2009, India rose to be the fourth largest exporter of automobiles following Japan, South Korea and Thailand. Experts state that in the year 2050, India will top the car volumes of all the nations of the world with about 611 million cars running on its roads.

Indian economy has shown positive indications at macro and micro level since 1990 onwards. Indian economy is growing more than 8 per cent since last couple of years and is expected to grow at good pace. The Indian Automotive Industry started its new journey from 1991 with delicensing of
the sector and subsequent opening up for 100 percent FDI through automatic route. Since then almost all the global majors have set up their facilities in India taking the production of vehicle from 8 million in 2003 to 18 million in 2010 (SIAM, 2010). The surge in number of people with higher purchasing power along with strong growth in economy over a past few years has attracted the major auto manufacturers. The market linked exchange rate and availability of trained manpower at competitive cost has added to the attraction of Indian market. This increasing pull of Indian market on one hand and the near stagnant rate of growth in auto sector in markets of USA, EU and Japan have worked as a push factor for shifting of new capacities and capital in the auto industry to India. The increasing competition in auto companies has not only resulted in a spurt in choices of Indian consumers at competitive costs, it has also ensured an improvement in productivity by almost 20 percent a year in auto industry, taking it to one of the highest in Indian manufacturing sector. The sector is also seen as a multiplier of industrial growth. It helps in attaining two critical goals of the common minimum programme, that of increasing manufacturing output and of providing employment.

India with its rapidly growing middle class, market oriented stable economy, availability of trained manpower at competitive cost, fairly well developed credit and financing facilities and local availability of almost all the raw materials at a competitive cost has offered itself as one of the favorite destination for investment to the auto makers. These advantages need to be exploited in a manner to attain the twin objective of ensuring availability of best quality product at lowest cost to the consumers on the one hand and developing and assimilating the latest technology in the industry on
the other hand. The government recognizes its role as a catalyst and facilitator to encourage the companies to move to higher level of competitive performance. The government wants to create a policy environment to help companies gain competitive advantage. The government policies target to encourage growth, promote domestic competition and stimulate innovation.

The Indian automotive component sector has presently a competitive edge over other countries. The reasons are several: 1- low-cost advantage mainly on account of the availability of low-wage, high-skilled manpower is the most important reason, 2- high quality & productivity through the adoption of quality/production concepts such as TQM, TPM and Six Sigma, 3- good legal, financial and accounting systems, and 4- English is the medium of communication.

6.2) FINDINGS

1- India is the most important automotive industry manufacturing hub in South Asia. It is projected that the Indian middle class will reach 550 million by 2025, from the present 200 million, signaling a sustained growth for the automotive sector. The automotive industry in India is now working in terms of the dynamics of an open market. Many joint ventures have been set up in India with foreign collaboration, both technical and financial with leading global manufacturers.

2- Automobile industry is contributing significantly and playing an important role in the economic development of India. The sector has shown a tremendous growth after liberalization. The globalization process has affected the sector in all the areas of manufacturing, sales, personnel research and development and financing. The Indian automotive sector has a presence
across all vehicle segments and comprises of key component manufactures, concentrated in regional clusters.

3-The automobile industry in India is one of the largest in the world and one of the fastest growing globally. India’s passenger car and commercial vehicle manufacturing industry is the seventh largest in the world, with an annual production of more than 3.7 million units in 2010.

4-Indian automotive industry, which comprises of the automobile and the auto component industries, is one of the largest industries in India. This industry has flourished after economic liberalization in 1990s like never before. The automotive Industry in India is now working in terms of the dynamics of an open market. Many joint ventures have been set up in India with foreign collaboration, both technical and financial with leading global manufacturers. Also a very large number of joint ventures have been set up in the auto-components sector and the pace is expected to pick up even further. The increased demand for Indian automobiles has resulted in a large number of multi-national auto companies, especially from Japan, U. S. A., and Europe, entering the Indian market and working in collaboration with the Indian firms. Also, the institutionalization of automobile finance has further paved the way to sustain a long-term high growth for the industry.

5-In this research for first hypotheses the researcher measured the mean value different aspects of globalization (measured through economic, technological and political factors of globalization) on competitiveness of the automobile industry in Maharashtra state. After comparing the mean values of factors which mentioned above, researcher found that the technological factors with mean value of 3.88 had a greatest impact on competitiveness in comparison to other factors while the mean value of economic factors had mean value of 3.77 and political factor had mean value 3.58.
6- Researcher found that among the economical factors of globalization, labour cost with mean of 4.00 had greatest impact whereas, joint venture factor with mean score of 3.51 had the lowest impact on competitiveness compare to other factors.

7- Among the technological factors of globalization, the highest mean score is related to Technological Upgrading with mean of 4.30 and the lowest mean rank is related to Technology Transfer preferment with mean score of 3.48 among the other items. It shows that the Technological Upgrading has greatest impact on globalization among the technological factors and technology Transfer preferment has lowest impact on globalization according to responses of respondents.

8- It is observed that among the political factor of globalization the highest mean score is related to Infrastructure Upgrading with mean of 3.72 and the lowest mean rank is related to Government Regulation with mean score of 3.43 among the other items. It shows that the Infrastructure Upgrading has greatest impact on globalization among the Political factors and Government Regulation has lowest impact on globalization according to responses of respondents.

9- Researcher found that the technological factors of globalization have greatest impact on competiveness with the mean of 3.88 whereas political factors of globalization with mean of 3.58 have the lowest impact on competitiveness. It must be mentioned that the mean value of economical factor was 3.77.

10- On the other hand, researcher found that amongst the economic factors of globalization, the strategic alliance and labor cost and also joint
venture and capital efficiency show the most strong and significant positive correlation.

11- It also has been found that amongst the technological factors of globalization, the technological upgrading and brand management upgrading and quality upgrading and technological upgrading show the most strong and significant positive correlation.

12-The Indian Automotive Industry comprising of the automobile and the auto component sectors has recorded considerable growth following the delicensing and opening up of the sector to FDI in 1991. The unbundling of this industry from restrictive environment has, on the one hand, helped in restructuring, absorbing new technologies align itself to the global developments and realize its potential with significant increase in industry’s contribution to overall industrial growth in the country. FDI has played an important role in the process of globalization during the past two decades. The rapid expansion in FDI by multinational enterprises since the mid-eighties may be attributed to significant changes in technologies, greater liberalization of trade and investment regimes, and deregulation and privatization of markets in many countries including developing countries like India. It is observed that the falling barriers to trade whit government have a significant positive correlation with infrastructure upgrading and FDI promotion shows a significant positive correlation with the infrastructure upgrading. It is also has been found that the highest mean score is related to Organizational Culture with mean of 4.09 and the lowest mean rank is related to Managerial Orientation with mean score of 3.78 among the other items. It shows that the Organizational Culture has greatest impact of internationalization among the internal factors of internationalization and
*Organizational Culture* has lowest impact on internal factors of internationalization on automobile industry.

13-Researcher observed that amongst the internal factors of internationalization, on automobile industry the *International Experience* and *Market Orientation* and also *Managerial Orientation* and *Market Orientation* show the most strong and significant positive correlation.

14-Maharashtra accounts for 38 percent of the country’s automobile manufacturing. About 40 percent of the workforce engaged in the country’s automobile industry is employed in the state. The state competitiveness report 2010 ranks Maharashtra second (after Delhi) among 29 states in India. Maharashtra’s strengths are in factor and demand conditions. Since Maharashtra is the leading cluster in Indian automotive cluster, the advantage and challenges are basically the same with the international comparison with Brazil, China and Thailand in the previous section: taxation and power costs.


6.3) CONCLUSIONS

Automobile industry is a symbol of technical marvel by human kind. These industry with its deep backward (metals such as steel, aluminum, plastics, glass, etc) and forward (advertising, repair and maintenance, petroleum products, insurance, etc) is contributing significantly and playing an important role in the economic development of India. The sector has shown a tremendous growth after liberalization. Given the large population and growing middle class, India has the potential to develop into a significant market for automobile manufacturers. With a large, English speaking, relatively low cost labor pool, India could eventually serve as a major regional export hub throughout Asia, Africa, and Europe. Mahindra & Mahindra, in fact, is already developing plans to begin selling automobiles in the United States. These plans would make Mahindra & Mahindra the first Indian car manufacturer to set up a manufacturing facility in the United States. In 2009, India emerged as Asia’s fourth largest exporter of passenger cars, behind Japan, South Korea and Thailand.

Globalization of the Indian automobile industry implies the integration of the domestic market into the international market with increased circulation of goods and services. It is clear that the high growth rate in India’s economy-fourth largest by purchasing power parity (PPP) in the world and the increasing purchasing power of the wealthy social groups have attracted all the major international automakers to India. Globalization is pushing automobile industry majors to consolidate, to upgrade technology, and enlarge product range, access new markets and cut costs. The globalization process has affected all the areas of manufacturing, sales, personnel research.
and development and financing of automobile industry. Globalization has helped to improve the financial position of the automobile industry in India.

This research represented economic, technological and political factors of globalization, internal and external factors of internationalization, explaining the factors effecting on globalization and internationalization on automobile industry in Maharashtra state and empirical test will be conducted for the purpose of data analysis. The factors mentioned above help to settle the converse view on global expansion in the existing literature and suggest implications over the factors analyzed to set implementations of global expansion strategy. This study also investigated whether different economic, technological and political factors of globalization, internal and external factors of internationalization have different effects on various dimensions of Maharashtra state automobile industry.
6.4) SUGGESTIONS

1) To suggest to government of Maharashtra to enhance design and innovation capacity to achieve international competitiveness, penetrate into rural market in Maharashtra.

2) To make relationship between industry and academics for research and innovation to achieve global regulation.

3) To encouraging Original Equipment Manufacturer (OEMs) to adopt existing training institutes or to set up new institutes for training.

4) Automobile industry should invest in R&D and incentivizing to promote designing to help Indian companies to increase their patent level and thereby improve their technology level.

5) Automobile firms and Maharashtra state government must increase investments for research in cost-saving technologies, product and process improvement, and also green technologies such as hybrid cars and hydrogen fuels.

6) Automobile industry should invest for manufacturing different model and design at global standard for increasing their competitiveness in global market.

7) For the purpose of having positive effect of globalization on automobile industry in Maharashtra state, government clearly needs to develop fast improvement of infrastructure to facilitate exports which includes roads, ports, communication, warehouses etc.

8) Generally, Indian automobile industry and In particular automobile industry in Maharashtra should campaign for better infrastructure, further
reduce the total cost of car ownership, and bring financing and insurance models up to modern global standards.

9) Automobile industry in Maharashtra such as Tata and Mahindra & Mahindra must increase their global sales for faster recovery of their fixed costs and match the product cycle times of international manufacturers like Suzuki and Hyundai.

10) Automobile industry in Maharashtra to further promote the market (across the world and India), manufacturers must adopt new technologies that improve comfort, safety, and durability.

11) The Maharashtra government needs to significantly strengthen non-proprietary R&D and design capacity that has strong connections with research institutes like SIAM, ACMA. This could be used by all the players in the automobile industry to develop new models, reduce material costs and become more competitive.

12) There are immense opportunities for Maharashtra automobile firms to prosper and the government has been responsive towards the challenges of globalization. Reforms are being carried out but the pace of reforms and their implementation have to increase. The government should focus on its function of governance and create a favorable business environment to nurture competitiveness. Association needs to revolve as facilitators with accountability. More aggressive and directed role is expected out of them.

13) Indian research institutes and associations (such as SIAM, ACMA etc.) needs to develop a barometer to evaluate the competitiveness of firms and
industry. The automotive industry should be benchmarked with other industries (across India and abroad) and strategies should be developed.

14) Government of Maharashtra should reduce import duties so that system suppliers have an option to procure components from cheapest sources in the world (also in India) and to be achieving overall competitiveness.

15) Competitiveness of automobile industry should be a national agenda. Periodic competitiveness review of industry and firms should be carried out and incentives can be planned for performing firms.

16) The government of Maharashtra must provide the appropriate business atmosphere for attracting the foreign direct investment. It can be suggested that remaining tariff rates should be lowered and non tariff barriers need to be decreased to facilitate flow of trade and investments.

17) The government of Maharashtra must remove cost disadvantages of locating in the state for automobile industry. There is a need to remove cost disadvantages of locating in the state on account of octroi and electricity duty. Octroi is likely to be phased out with the implementation of goods and services tax in 2011.
6.5) SUGGESTION FOR FUTURE RESEARCHERS

1- To study and analyze the effect (SWOT) of the current global economic crisis on Indian automobile industry.

2- Analyze another drivers and dimensions that play the vital role in globalization and competitiveness of the Indian automobile firms in Maharashtra state and another hub of automobile industry in India.

3- The survey responses were based on self-reporting’s, which introduces its own bias. While objective measures for many of the internal and external factors of internationalization and factors of globalization on competitiveness variables in automobile industry were unavailable to the present study, future researchers could try to overcome this shortcoming.

4- Most of the factors and variables discussed in this thesis can also be applied to many industries in other emerging markets that are seeking for the effect of globalization on competitiveness by creating a competitive global expansion strategy.

5- The systematic and scientific knowledge of competitiveness in Indian Automobile Industry is the key to preparedness today. Right from the country, head to the last employee in the firms the awareness is needed. Apart from knowledge, there is need for continuous research on the subject.

6- This research is one of the very few studies that has not examined only the internal and external factors of internationalization, but it has analyzed both of the factors and linked the relationship between the deferent dives of globalization on competitiveness of automobile industry, that makes this research a creditable reference for future developing researches using the same theoretical model that in this research has been used.
7- It is also hoped that the research direction of the present study is further expanded in the future to cover small and medium internationalizing automobile firms, as well as companies from other emerging economies.